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Advertising Age

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Midweek News Summary

Peter Dailey, media adviser to three Republican presidential candidates and former ambassador to Ireland, says he means to pursue his own interests when he retires from the Interpublic Group of Cos. Dec. 31. *See Page 3.*

Magazines are continuing to break advertising records faster than you can say "cpm." *See Page 3.*

Paddington Corp. continues to grope for pioneering ways to set Baileys Original Irish Cream apart from its competition, even though look-alikes and more innovative liqueur rivals have dented Baileys' sales only modestly. *See Page 3.*

Mortimer Zuckerman last week delivered an old-fashioned pep talk to the advertising sales crew at *U.S. News & World Report*, amid rumors of sagging morale. *See Page 3.*

Beatrice Cos.' U.S. foods unit Jan. 25 will begin its national promotion and sweepstakes dubbed "The United Tastes of America." *See Page 4.*

The Marriott Marquis Hotel, scheduled to open in New York in June, is but one 1,876-room cog in the master marketing plan of Marriott Corp. *See Page 4.*

Chevrolet is firing the latest salvo in the battle by domestic car makers to reclaim California, where imports hold 50% of the market, compared with 25% nationwide. *See Page 9.*

Gannett Co. is considering a risky proposition: Should it regionalize all its suburban New York newspapers under a single logotype and masthead, chancing a loss of local identification? *See Page 36.*

Scripto's first network tv advertising will set the comic team of Jerry Stiller and Ann Meara at a romantic candlelit dinner to pitch the upscale features of the marketer's new Electra disposable lighter. *See Page 39.*

DIRECT MARKETING

Mystic Color Labs has become the second-largest mail-order film processor in the country under its founder's edict: "Make money and have fun." *See Page 6.*

Brunswick Corp. is using a direct-marketing effort to upgrade its corporate image. *See Page 7.*

Tv fights beer ban talk

Nets join to counter critics

By VERNE GAY

NEW YORK—The three tv networks are pooling resources in an unusual cooperative effort to fight groups that advocate banning $526 million in wine and beer advertising from the airwaves.

The networks have put together a 40-minute videocassette detailing what they have done during the past 18 months to combat alcohol and drug abuse. The videotape will be shown Nov. 13 during a meeting at the U.S. Justice Department with network representatives, pro-ban advocates and advertising and broadcast trade groups.

Essentially, the networks want to set an agenda with these groups that will eliminate any talk of banning wine and beer tv advertising. At the same time, they want to show that they and their advertisers are not part of the problem, as several of the groups that will be present have contended.

"My concern is that this [meeting] is characterized as a defensive move," said Betty Hudson, NBC's vp-advertising and promotion, who will be the principal network representative. "We hope it will be a constructive move. We want to schmooze before they launch [an attack]. If they come to the party with the presumption that we won't cooperate, then that's awful."

Ms. Hudson added, "There is indeed a societal problem with substance abuse, and it would be worth spending our time on it even if there were not this [ad ban] pressure. Taking the advertising off the air might give [the pro-ban groups] a sense of accomplishment, but whether they've done something to cure the problem is another question."

The meeting was set up by the Justice Department's Office of Juvenile Justice and Delinquency

(Continued on Page 38)

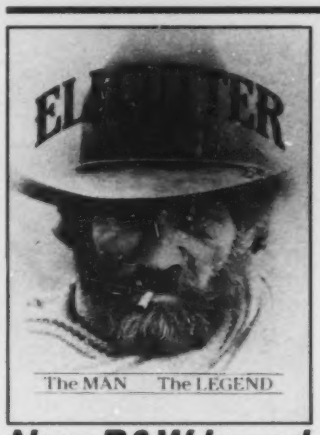
Tandy attacks IBM PC

By SARAH STIANSEN

FORT WORTH—Tandy Corp., in a thrust at personal computer market leaders IBM and Apple Computer, will introduce a machine today that may be the most important in its IBM-compatible line.

Tandy is hoping that the TRS-80 Model 1000, unveiled here at the company's annual shareholders meeting, will boost its computer sales. The company has seen its

(Continued on Page 38)



New B&W brand debuts Wild West character

Brown & Williamson breaks its Eli Cutter brand into West Coast test this week. Ads via Geer, DuBois associate the cigaret's "legendary taste" with Eli Cutter, a fictitious 1800s outlaw. Copy says it "delivers the same good taste and deep down satisfaction enjoyed by men in the days of the Old West." B&W declines comment but likely test markets are San Francisco, Sacramento and Fresno.

Investors high on ad agencies

Taking stock

By STEWART ALTER

A burst of recent activity indicates that institutional investors have started giving much more serious attention to ad agency stocks.

The many reasons for this change include, perhaps most significantly, an improved image of the ad agency business itself and greater recognition of the value of advertising in general.

Food, household and tobacco products have become "very mature industries," said Charles Crane, a former senior food analyst at Oppenheimer & Co., New York, who released his first report on the agency business only two weeks ago. "Consequently, stimulating growth within these industries either means advertising the living daylights out of existing lines or introducing new products," he said, observing how the fortunes of ad agencies are a natural extension of that development.

Oppenheimer is only one of several major institutional investor-oriented securities companies that have recently started issuing reports on ad agency stocks.

Morgan Stanley & Co., New York, issued its first agency stock research report, on Saatchi & Saatchi, in early June. Wertheim & Co., New York, issued its first such report, also on Saatchi, in early July, and a second, on Ogilvy & Mather, in early September.

In all three cases, the analysts involved have added ad agencies to their package-goods coverage, which is something new. The core of analysts who have followed

(Continued on Page 37)

Presstime

Mickelberry revenues spurt 46%

NEW YORK—Mickelberry Corp., the parent of agencies including Cunningham & Walsh, Laurence, Charles & Free and Nadler & Larimer, reports third-quarter revenues of $31.7 million, up 46% from the same period in 1983, and net income of $528,000, up 13%. Nine-month revenues rose 40%, to $89.7 million, with net income up 29%, to $1.8 million. The 1984 figures reflect several acquisitions, most notably Direct Marketing Agency, one of the larger direct-marketing ad agencies *(see related story at left).*

Old Style brands switch to Ogilvy & Mather

LA CROSSE, WIS.—G. Heileman Brewing Co. has moved the assignments for its Old Style brands to Ogilvy & Mather, San Francisco, from Campbell-Mithun, Chicago. Despite the loss of the flagship Old Style line, which billed about $5 million in measured media last year, C-M retains other Heileman brands (including Blatz, Special Export and Schmidt).

Philip Morris rolls out low-tar Merit in boxes

NEW YORK—Philip Morris USA next week will roll nearly national with Merit low-tar filters in crushproof box packaging. The marketer hopes to improve the No. 6-selling brand's performance by combining what it claims are the two fastest-growing elements in the industry—low tar and box packaging. The king-size box will be promoted via an "across the board" campaign by Leo Burnett USA, Chicago, in magazines, newspapers, outdoor boards and Sunday supplements. Ads feature the tag line "A world of flavor in a low tar."

Ally makes plug for B&B's MCI business

NEW YORK—Ally & Gargano, looking to cash in on client MCI Communications Corp.'s decentralization of marketing for its long-distance telephone service, is trying to wrest MCI's estimated $3 million business-to-

(Continued on Page 4)

NEWSPAPER

U.S.-Japan ties

AA DC2001 4CONGLI FMJF M
CONGRESSIONAL INFO SERVICE
SPI ACQUISITIONS
4520 EAST-WEST HWY #800
WASHINGTON DC 20014

Marriott Marquis first in luxury chain plan

NEW YORK—The Marriott Marquis Hotel, scheduled to open here in June, 1985, is but one 1,876-room cog in the master marketing plan of Washington-based Marriott Corp.

The plan, as outlined in the Nov. 5 charter issue of *Crain's New York Business*, calls for construction of a chain of Marriott Marquis luxury hotels in major U.S. cities that attract business conventions and trade shows. Marquis hotels are scheduled to open in Atlanta next June and in Orlando, Fla., in 1986.

As part of the over-all marketing strategy, Marriott Corp. has signed a letter of intent to sell its 876-room Essex House hotel on Manhattan's Central Park South to Nikko Hotels International, a subsidiary of Japan Air Lines, for an undisclosed sum.

According to *CNYB*, Marriott Corp. chairman John Willard Marriott would not discuss details of the Essex House sale, saying only that JAL will pay "more than $125 million—much more." The sale will be completed in June, 1985, when the Marriott Marquis opens for business at Broadway and 45th Street, a decidedly less-than-luxurious neighborhood.

The Manhattan Marquis will not benefit financially from the Essex House sale, according to Stephen Giblin, the Manhattan Marquis' marketing and sales director, even though Mr. Marriott said the sale of the Essex will make it easier to market the Marquis. Mr. Giblin declined to disclose the Marquis' ad budget. The campaign is being handled by Warren/Kremer.

Marriott Marquis is part of the revitalization of the Times Square area, instigated in part by the construction of the New York Convention Center to the south between 34th and 39th Streets and 11th and 12th Avenues, scheduled for completion in April, 1986.

Other area hotels are being renovated in anticipation of more conventioneers. The old New York Statler was renamed the New York Penta after being purchased for $46 million and renovated with $20 million from Ascot Associates, a partnership among Abelco Associates, local real estate developers and the European Penta Hotel chain, which is owned by British Airways, Lufthansa and Swissair (AA, April 2).#

Crain's debuts in New York

NEW YORK—*Crain's New York Business* is the latest in a series of new business publications for the metropolitan New York market. A second charter issue of *CNYB* will be published by Dec. 10 by Crain Communications, which also publishes ADVERTISING AGE and other consumer and business publications. The first regular weekly issue will appear Jan. 7.

Each charter issue will run 40 pages, with a 50-50 ratio of advertising to editorial. Ad space for both issues was sold out. Initial circulation of *CNYB* will be 80,000, going primarily to top execs of smaller-to-midsize businesses. Selected newsstands also will carry the paper.#

Charles (Skip) Wilhelm, circulation director, passes out charter issues of *Crain's New York Business* at Grand Central Station.

National sweepstakes due in January

Beatrice offers tasty promo

By JANET NEIMAN

Beatrice Cos.' U.S. foods unit Jan. 25 will begin its national promotion and sweepstakes (AA, Oct. 1) dubbed "The United Tastes of America."

As part of what Beatrice says is a $400 million advertising budget for 1985, the promotion, including various national and regional Beatrice brands, is to build and generate corporate and brand awareness.

Beatrice plans to advertise United Tastes with a 30-second network tv spot Jan. 25 and 26. Print support will consist of 44 million couponed, freestanding newspaper inserts Jan. 27, and will be followed by a second tv spot, reminding consumers to use the insert, on ABC's "American Music Awards" Jan. 28.

The effort is from J. Walter Thompson USA, Chicago, which competed with the other Beatrice agencies for the assignment.

The insert coupons, divided into breakfast, lunch, dinner and "anytime snack" categories, will double as entry forms for the United Tastes sweepstakes. Consumers can fill out the form and redeem the coupon to enter the sweeps, or can enter by sending in the coupons or special-entry blanks from in-store displays.

The grand prize in the United Tastes sweeps will be four one-week vacations to "Breakfast in Hawaii, Lunch in San Francisco, Dinner in New York and Snack in Disney World," and $25,000 cash. Four first-prize winners will receive one-week trips to any of the four cities, and 1,000 prizewinners will receive a $150 grocery shopping spree.

Beatrice will support the promotion with special co-op advertising allowances for the trade between Jan. 14 and March 2, and point-of-purchase displays.

The new Beatrice "red stripe" logo, to be used at the end of all tv spots, will be launched during the United Tastes promotion. Beatrice is telling the trade the "red stripe" advertising "will aid consumer awareness and association of the recently acquired Esmark brands with the Beatrice family."

The company will support the logo with the audio identification that accompanied the words "You've known us all along" in earlier corporate advertising.

Next month, Beatrice will sponsor the CBS Christmas special "A Christmas to Remember," with Kenny Rogers and Dolly Parton, and "It Came upon the Midnight Clear," a made-for-tv movie starring Mickey Rooney.

Beatrice also plans a "major fall event" for next September and October to coincide with its sponsorship of the Miss America pageant.#

REGULAR FEATURES

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$1.25 a copy, $52 a year, $95 two years. Add $99 per year for air delivery to Europe & Middle East. Add $31 for surface mail to all other foreign countries. WILLIAM STRONG, vp-circulation; ROGER DI GREGORIO, fulfillment director; HEIDI SCHULTZ, senior circulation manager. Four weeks' notice required for change of address. Address all subscription correspondence to circulation department, Advertising Age, 740 Rush St., Chicago, Ill. 60611 (312) 649-5200.

Presstime

(Continued from Page 1)

business account from Benton & Bowles. Ally, which already handles MCI's $40 million consumer advertising business, will present a speculative 1985 business-to-business campaign to MCI at a Nov. 12 meeting in Washington. Ally, which initiated the pitch, expects MCI to significantly boost business-to-business ad spending in '85 after a Jan. 1 splintering of the company's marketing functions into seven regional units (AA, Aug. 27). MCI needs "a stronger selling program for the business sector, which is going to be responsible for most of their bottom line in the future," an Ally executive said.

Other late news

● NEW YORK—**Needham Harper Worldwide** has added $3.5 million in billings from two Honda dealer groups: Tri-State Honda Dealers of Pennsylvania, New Jersey and Delaware, a newly formed group, and the Greater Pittsburgh Honda Dealers Assn., formerly at Robert L. Stevenson Inc., Pittsburgh. Needham is the national agency for Honda and also handles the Tri-Honda Dealers of New York, New Jersey and Connecticut.

● NEW YORK—**American Tobacco Co.'s** new print and outdoor ads for Lucky Strike Lights carry the theme "Light my Lucky." One features a male cyclist and the other a chic female. Laurence, Charles & Free handles.

● ST. LOUIS—**Anheuser-Busch** will for the first time use Michelob spokesman John Forsythe in on-premise promotions during the upcoming holidays. The star of ABC-TV's "Dynasty" will be pictured on restaurant and tavern table tents as well as on retail point-of-purchase material promoting both Michelob (handled by Ted Bates Advertising/New York) and Michelob Light (handled by Needham Harper Worldwide, Chicago).

● WHITESTONE, N.Y.—**White Rock Products Corp.** is introducing this month Wineberry wine coolers into Connecticut, New Jersey and New York. The launch will be backed by a $1 million campaign by Venet Advertising, New York.

● ST. LOUIS—**Ralston Purina Co.** in January will begin marketing Rainbow Brite, a fruit-flavored, rainbow-shaped children's cereal using the name and character licensed from Hallmark Cards' Hallmark Properties unit. Saturday morning tv and heavy newspaper couponing will support via Gardner Advertising here.

● NEW YORK—**Newsweek** and **Time** start squaring off today in a marketing battle over their election issues. *Newsweek* brings out an extra issue, with Apple Computer taking 40 ad pages as the sole advertiser. Promotion is in print (magazine, newspaper and trade) and broadcast (radio and tv). Leber Katz Partners handles. *Time* brings its Nov. 19 issue out early, with expanded editorial and $12 million worth of ads, a single-issue record. Promotion is in print (newspaper and possibly trade) and broadcast (radio). Young & Rubicam handles.

● NEW YORK—Competitive bids for the **Des Moines Register & Tribune Co.** are not expected, following an offer this week from Dow Jones & Co. and members of Register & Tribune Co. management. Industry analysts say the company, particularly its flagship Des Moines paper, has suffered business declines due to the depressed farm belt economy and increased competition from smaller Iowa dailies and direct mailers. "It's not all that tantalizing a property," newspaper analyst John Morton said. Dow Jones and the Iowa investors offered the Cowles family $112 million.

● NEW YORK—**W.R. Grace & Co.** will spend $600,000 in the next two months and another $2 million to $3 million next year in support of a new tv spot it introduced into its corporate campaign this week. The ad, which will also have a print element, looks at the problem of the growing federal deficit. Marschalk Co. handles.

● NEW YORK—**Canada Dry Corp.**, part of R.J. Reynolds Industries' Del Monte Corp. subsidiary, will launch on Nov. 26 a four-week holiday promotion on network, spot tv and radio for its mixer line. "Nothing gets a party started like Canada Dry" is the theme. The company is spending close to $4 million, including about $1.5 million through its independent bottlers. Young & Rubicam handles nationally.

● NEWARK, N.J.—**People Express Airlines** breaks a newspaper ad effort this week for its new Newark-to-Denver service. It will offer one-way fares of $114 off-peak and $128 peak beginning Nov. 15. Ads, headlined "The smart way to the Denver peaks," will run in more than 20 newspapers. Plapler & Associates, New York, handles.

● NEW ORLEANS—**Louisiana World Exposition** has filed for Chapter 11 in a U.S. bankruptcy court here. It lists only 20 of its largest creditors, for a total indebtedness of $36 million. Observers have said that the world's fair is expected to close Nov. 11 with as much as $140 million in unpaid bills. McDonald & Little, Atlanta, which handled the fair's initial advertising and was subsequently fired (AA, July 30), and its current agency, Fitzgerald Advertising here, are listed among the 20 creditors. According to papers filed, McDonald & Little, a subsidiary of Ted Bates Worldwide, New York, is owed $1.3 million and Fitzgerald is owed about $243,000.

● **NEWSLINE: Robert Naegele**, 69, founder and chairman of Naegele Outdoor Advertising Cos., Minneapolis, died Nov. 6. He suffered a stroke Nov. 1. Naegele officials had been negotiating the sale of the company to 3M Co., and a Naegele spokesman said his death isn't expected to affect the negotiations. . .**Gleneagles Hotels**, Edinburgh, Scotland, a four-hotel group that includes London's Picadilly Hotel, has assigned its U.S. and British advertising to **Calet, Hirsch & Spector**, New York, its first agency. . .**Fuji Photo Film USA**, New York, is kicking off a tv and newspaper campaign to promote the "Fuji videocassette video cash rebate," in time for holiday sales. Tv spots will feature a videocassette recorder that dispenses $1 bills to dramatize the rebate offer. Lord, Geller, Federico, Einstein is Fuji's agency. . .**Clorox Co.**, known in Spain as Casamitjana Mensa, has assigned Conejo Dishwashing Liquid and other unspecified assignments to **Carvis Needham**, Barcelona, an international partner of Needham Harper Worldwide. Foote, Cone & Belding previously handled. . .**Tofu Time** on Nov. 20 opens the first of a number of planned Tofutti retail stores in New York to sell its soy-based frozen dessert, a nondairy substitute for ice cream products. Levine, Huntley, Schmidt & Beaver handles.

Chains diagnose need for image campaigns

By Esther Fritz Kuntz

If it's good for General Motors, is corporate-image advertising good for the nation's top hospital chains?

Yes, say most chain executives, who are making national image campaigns—long ignored by healthcare companies—a cornerstone of newly integrated consumer ad programs.

"You don't see General Motors running ads on the West Coast with different logos and messages than the ads its runs on the East Coast," says Joel W. Hass, vp-marketing and communications for Adventist Health System/U.S. His company is conducting a two-market test of ads designed for national use.

The analogy between the automotive industry and multihospital chains is drawn also by Arthur M. Rosen, executive vp, Sudler & Hennessey, New York. In both industries, he says, the corporation advertises its name and logo nationally, trying to create the image of a quality product. Then the dealers—or individual hospitals—use that corporate name in their local ads. "It's their job to get customers into the showroom," he says.

But worrying about getting showroom traffic—let alone advertising to consumers—is a new problem for hospital chains.

Esther Fritz Kuntz, a free lance writer and former reporter at Modern Healthcare, *regularly covers the healthcare industry.*

While they have advertised regularly to investors and potential acquisition candidates, most of the leading chains began consumer advertising only during the past year.

And although individual facilities did their own local advertising in the past, spots didn't mention that the hospital was part of a chain—nor was the parent company involved in local campaigns.

But now chains have begun to coordinate marketing from the top down. At the same time that parent companies are initiating national corporate-image campaigns, individual hospitals are making the corporate connection a key part of local ads.

Efforts to link hospitals with their corporate parents are designed to develop brand-name loyalties among patients. "Our research shows that consumers would rather go to a hospital that belongs to a system," says Mr. Haas of Adventist.

Customers—trained on chain restaurants, retail stores and gasoline stations—believe that the quality of care is higher at a chain-owned hospital because chains have access to greater resources than do individual facilities, he says. They also expect services to be less expensive because of economies of scale.

Developing brand loyalty was what Humana Inc. had in mind when it began adding corporate identification to the names of its 86 hospitals two years ago, says Robert Irvine, director-public relations. Investor-owned Humana, headquartered in Louisville, is the second-largest multihospital corporation in the nation.

As they diversify into new healthcare services, other chains are discovering the value of corporate advertising and the name recognition it creates, says William B. Colwell, vp-public relations, Evangelical Health Systems, Oak Brook, Ill. And hospital corporations are diversifying into virtually all areas of healthcare, including health maintenance organizations, urgent care clinics and home healthcare.

Hospital Corp. of America, Nashville, launched a multimedia campaign for its 14 Houston-area hospitals Sept. 30. It is the first consumer ad effort by the nation's largest hospital corporation, HCA spokesman David McFadden says.

The theme of the campaign—"HCA. We care for America. We care for you"—is intended to let consumers know that each of the 14 facilities is affiliated with the leading U.S. hospital company, which operates 339 hospitals nationwide.

"It is no longer sufficient to simply deliver quality services," says Roland D. Wussow, HCA vp-corporate communications. "It is now necessary to communicate the specific services HCA offers."

Houston was chosen as the site for the pilot program, developed by Eric Ericson & Associ-

Corporate image consumer ad campaigns are being tested or used by hospital chains such as Adventist Health System, Hospital Corp. of America, American Medical International and National Medical Enterprises, which includes Century City Hospital in California.

Searching for agencies qualified to practice

An Advertising Age Roundup

Increased competition in the healthcare industry has created a veritable boom in the medical advertising business in which certain agencies stand to gain more than others. A few may realize a windfall.

But ad and healthcare executives disagree on which agencies will—and should—benefit.

"Medium-size agencies have a great opportunity here," says Richard McDonald of McDonald Davis & Associates, Milwaukee, an agency boasting 40 hospital clients in 23 states.

Most large agencies, Mr. McDonald says, would not have accepted his 40 hospital accounts. "They can't afford to," he says, "because most individual hospitals cannot afford to pay the large agencies' higher fees."

Robert Aurin, senior vp at D'Arcy MacManus Masius, Chicago, agrees. Mr. Aurin started his career in smaller agencies, where he accumulated 2½ years of healthcare ad experience with six clients. But despite stints at Leo Burnett Co., Foote, Cone & Belding and Young & Rubicam, he has not worked on a healthcare account since he left the smaller agencies.

"Individual hospitals are not million-dollar accounts," he says. "They simply don't have enough money in their budgets to interest the big agencies."

However, arguments that healthcare accounts are not large enough to merit the attention of most agencies quickly are becoming obsolete—at least as far as chains are concerned. Although individual hospitals' ad budgets usually are limited to the $100,000 to $200,000 range, a chain combining hospitals and related healthcare business can provide a lucrative account for an agency.

Although chains still aren't big spenders, they are increasing ad budgets. Most of the large chains now budget more than $1 million annually; ad executives think the amount only can grow as competition heats up and campaign results become apparent.

There's proof in the story of Wexler & Shalek. A new Los Angeles agency, W&S picked up the accounts of two National Medical Enterprises hospitals last December when the total budget amounted to only $200,000, creative director Gary Wexler says. But after initial work, W&S was awarded all 23 NME hospitals in California—with an ad budget exceeding $2 million—and the $1.25 million account for NME's 11 urgent care centers.

Beyond budgetary considerations, previous healthcare experience has become an issue in agency selection. Mr. McDonald's 24-year-old agency has worked with healthcare accounts for 16 years. Not surprisingly, he says he believes healthcare-related experience is extremely important. His agency often hires people who have worked inside hospital public relations and marketing departments.

"Healthcare advertising is very different from commercial advertising," says Mr. McDonald, whose agency also handles traditional commercial accounts. "There are a lot of intricacies to consider."

For instance, he says, agencies "in the know" are aiming their healthcare advertising at women, because research has shown that women make most of the healthcare decisions for the family.

And Mr. McDonald says even the style of healthcare advertising must be monitored carefully. "You can't get too cute," he says, "and too much pizazz can seem sensational."

According to Mr. McDonald, developing these skills takes time; however, the agency he says presents his company with the fiercest competition—Chicago's Sturm Communications—is only four years old.

Art Sturm, founder of the agency bearing his name, deliberately avoids hiring people with medical backgrounds. "You get too close to it and you always want to do things the way they were done before," he says.

He does, however, admit that the field has many idiosyncrasies and that a basic knowledge of healthcare is necessary or "the whole thing looks like absolute chaos."

Concerns about previous healthcare experience may be water over the dam soon, as many healthcare clients explore new medical services in which past industry experience may prove meaningless.

For example, the Group Health Assn., a 127,000-member health maintenance organization, turned to Demaine Vickers & Co., a small Virginia agency with little or no healthcare experience, for its creative work.

Agency principal Ron Vickers defends his position as a new kid on the healthcare advertising block. "A new agency can come in with an open mind," he says. "Especially with HMOs, a new agency doesn't know about the stigma HMOs felt in the past."

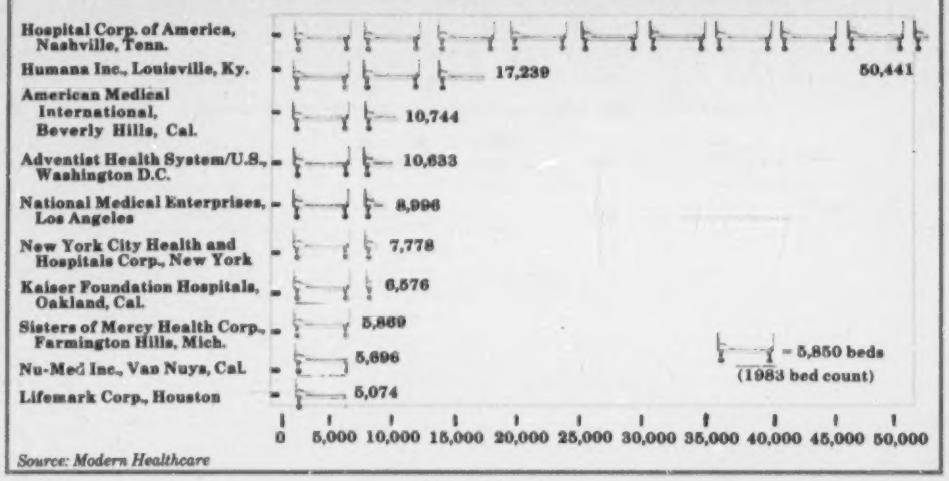
Hospital chains, unlike many other healthcare providers, favor agencies with consumer-marketing expertise over those specializing in healthcare advertising. General agencies, they reason, have expertise in speaking to consumers in layman's terms; most healthcare specialists have earned their expertise in marketing pharmaceuticals to physicians.

For other healthcare marketers, the criterion in selecting an ad agency is experience in advertising for professionals. The in-house agency for Phoenix-based Health-Tech of America, a dental franchiser, handles business for other local doctor and lawyer groups.

"Hiring a regular consumer-product ad agency is a major mistake that many healthcare franchises make," says Health-Tech president Douglas Gordon.

Information for this roundup was gathered by free lance writers Elizabeth Chappell White and Esther Fritz Kuntz, Modern Healthcare *associate editor Julie Franz and* Ad Age *associate editor Julie Liesse Erickson.*

Top 10 centrally managed multihospital systems



Source: Modern Healthcare

ates, Nashville, because of the intense competition among area facilities, Mr. McFadden says. Later, HCA will begin similar ad campaigns in other markets.

With 12 Houston hospitals, American Medical International is one of HCA's prime competitors in the area. Beverly Hills, Cal.-based AMI nas just begun advertising in the Houston market, says Ruth Galatzer, vp and director-advertising and promotion for the nation's third largest hospital chain. Ogilvy & Mather is the agency for AMI accounts in the eastern and central U.S.; Grey Advertising handles AMI nationally.

Although hospital chains are placing new ad emphasis on their corporate identity, most of their marketing directors still believe that advertising the individual hospital is more important. As Adventist's Mr. Hass says, "Systems don't take care of people—hospitals do."

Adventist is developing a catalog of ads for its 80 hospitals, Mr. Hass says. When one of its hospitals selects an ad, all the corporation need do is tailor the ad with a few mechanical changes.

The company is testing its catalog campaigns in five Los Angeles and four Chicago hospitals. Later, the chain plans to switch the campaigns to see how versatile they are.

The campaign's regional adaptability is of special interest to Adventist as it tries to forge a national corporate identity out of what was, until now, a loose affiliation of hospitals owned by the Seventh-Day Adventist Church. The organization—the nation's largest not-for-profit hospital chain and the fourth-largest system over-all—will open national headquarters in Arlington, Va., on Jan. 1.

To create the desired national identity, the ads need a similar look, Mr. Hass says. That's why Adventist chose one national agency—Doyle Dane Bernbach/Los Angeles—to handle all its hospitals.

But although hospital chains can achieve economies of scale by using the same ads in different markets, some have decided that local market differences demand individualized campaigns. National Medical Enterprises, Los Angeles, the nation's fifth largest hospital chain, has divided its hospital advertising accounts between two regional agencies designing separate campaigns for different NME hospitals.

When Wexler & Shalek, Los Angeles, won the account for 23 NME hospitals in California, creative director Gary Wexler says, "We thought we could use the same ads for the different hospitals and just change the name. But it didn't work out that way."

Some of the hospitals are located in affluent areas and others in blue-collar neighborhoods. Some want to sell themselves as high-tech hospitals, while others prefer projecting a warm and friendly image.

NME's Century City Hospital, for instance, is a small facility in an affluent, largely Jewish Los Angeles neighborhood. It competes with the large, prestigious University of California at Los Angeles Medical Center and Cedars-Sinai Medical Center. With that in mind, W&S wrote one ad for the hospital that reads, "The last thing you need to get in a hospital is lost."

A physician-referral ad aimed at the market's ethnic makeup reads, "If your son didn't become a doctor, we can recommend the ones that did."

A physician referral ad has been used to launch campaigns for all 23 hospitals. It invariably elicits the greatest response, Mr. Wexler says. One NME hospital has received 500 inquiries to the ad each month.

A referral service in general is a good way to bring more patients into a hospital, says Nathan Kaufman, NME senior vp-marketing. If a hospital refers a patient to a doctor, the physician generally will send that person to the referring hospital for care. Based on the national ratio of office visits to admissions, he says, every seven patients referred to a physician results in one hospital admission during the year.

Geography played a different part in the ad campaign for four NME hospitals in New Orleans, all situated in a bedroom community on the west side of the Mississippi River. Ninety per cent of the area residents were commuting to downtown hospitals on the east side—by the only route, a traffic-congested bridge.

"Awareness of the west bank hospitals was nil," says Melinda Helton, marketing director of Bauerline Inc., New Orleans, which serves NME hospitals in Florida and Dallas as well as New Orleans.

Bauerline placed an outdoor board at the entrance to the bridge to reach people trapped in traffic. It reads, "Why put a river between you and your hospital?" The agency used the same line in a local tv spot, ending that commmercial with the tag line "We're on your side." At the same time, the hospitals aimed a testimonial ad at physicians.

Awareness more than doubled as a result of the ads, Ms. Helton says. And when the fourth NME hospital opened on the west bank recently, it reached 90% occupancy in its first month of operation.

Although multihospital companies are using everything from tv to outdoor boards in advertising their facilities, they favor local newspaper ads directed at individual hospitals' markets. Print media are better suited to the informational, long-copy ads most hospitals are running, says Ian Latham, senior vp-creative director, Ogilvy & Mather, Atlanta.

A series of O&M-designed AMI ads provided detailed information on a variety of topics: Medical emergencies, proper nutrition, baby sitter care. Parts of those ads, Mr. Latham says, were meant to be torn out and pasted on a kitchen cupboard—something consumers couldn't do with a radio or tv spot.

"The concepts are almost reversed—ours is a service orientation versus their product orientation.

"When you market professional services, you are dealing with a negative demand. People come to you when they need help. You can't sell the negative experiences of professional services in the same way as you sell the positive experience of buying a product."

Glenda Wetzel, communications director for Benjamin Rush Center, a psychiatric hospital in Rochester, N.Y., agrees. When Rush wanted to begin advertising its psychiatric care, the marketing staff elected to produce its own tv spots.

"Most agencies are geared to selling material things," she says. "An agency that gets a hospital account has to shift its thinking to deal with human services and not cars and clothes."

Ad professionals agree that all healthcare clients present delicate aspects. Says Joan Webb, vp at Doyle Dane Bernbach/Los Angeles, "Dealing with the healthcare system is like dealing with a religious system: You have to be sensitive to both the consumers and the [practitioners]."

Mr. McDonald says he also feels the weight of the subject matter. "Dealing with life and death," he says, "is a tremendous responsibility."

Advertising

(Continued from Page 11)

did the Assn. of University Programs in Health Administration begin mandating courses in strategic planning as a requirement for accreditation.

In addition to the surplus of hospital beds, the U.S. medical marketplace is being affected by a "doctor glut." By the end of this century, there will be some 643,000 physicians nationally—a 33% increase over the current count of 485,000. In contrast to today's ratio of one doctor for every 500 people, there will be one doctor for every 388 people in the year 2000.

Dentists face the same problem. Douglas Gordon, president of Health-Tech Management, a dental franchiser, says research puts the ideal ratio of dentists to consumers at one for every 2,000 people—compared with the current figure of one for every 1,600.

Competition already is heating up among the growing number of medical professionals who are finding jobs scarce and consumers willing—and able—to shop around for medical care.

"It's certainly a problem on the suppliers' side, but it doesn't stop there," Dr. Gordon says. "Demands are lower, too. A lot of kids come through our offices and, because of improved education and local fluoridated water systems, don't have any real dental problems—not even any cavities. That makes for pretty stiff competition for their business."

Another wrench in the healthcare works has been technology's mixed blessing. Improvements in medical technology have cured diseases and lengthened life expectancies, but often at no small cost. A physician's attempt to do "everything possible" for a patient may add up to devastating medical bills that often go unpaid.

Nonetheless, many hospitals continue to purchase the latest, most sophisticated equipment in an effort to keep up with the Joneses.

Today's healthcare consumers are willing to pay for a good healthcare product at a fair market price. But in contrast to years past, an increasingly well-informed, discriminating and generally healthy public is being offered a wider choice of medical services than ever before.

"I don't think the audience has ever been so befuddled by health care," says Ronald Watt, president of Hesselbart & Mitten/Watt, a full-service Cleveland agency serving several healthcare accounts. "You used to just go to your local doctor, but today you're buffeted by the healthcare choices available."

"Healthcare used to be a seller's market, but now it's a buyer's market," says Jim Houy, vp at the American Hospital Assn. "There currently are more hospital beds than there are patients to fill them." The result: The competition is heating up faster than some hospitals can handle.

"Some hospitals will be unable to compete in this kind of marketplace," Mr. Houy says. "[Some] already are in the difficult situation of having to sit back and watch other guys stealing their customers."

Despite these troubled times for hospitals, Mr. Houy says he believes the competition is necessary and that advertising plays an important role in the process. "Somehow the decisions have to be made about which hospitals will survive," he says. "Either we regulate the hell out of everything and play God, or we put it out in the marketplace and let the people decide."

Mr. Watt agrees. "The key to success today is that everyone must realize that they are in business," he says. "And to stay in business, they have to market what they have to offer."

Marketing and business practices already have become so competitive that advertisers are drawing comparisons between the healthcare business and fast food.

"This is 'Burger Wars' in healthcare," says Art Sturm, founder of Sturm Communications, Chicago, a healthcare advertising specialist.

In Mr. Sturm's opinion, the healthcare market is teeming with similar products; the challenge to the advertiser is to create a campaign that differentiates between products. He says healthcare advertisers are asking the consumer the medical equivalent of "Do you want it flame broiled or fried?"

Healthcare advertising itself has spurred the creation of some of these new business opportunities.

The debut of medical advertising has allowed for innovation in the healthcare industry, says Art Lerner, assistant director of the Federal Trade Commission's Washington bureau. "Since then, there has been a blossoming of HMOs [health maintenance organizations], emergency centers and free-standing clinics—groups that depend on advertising to get business."

Advertising almost certainly will play a part in determining who wins and loses in the newly competitive environment.

"Our clients are entrepreneurs, really, just like us," Mr. Sturm says. "Historically there has been a lot of camaraderie in this business. Now there is stiff competition.

"Our clients want to be leaders and they want to win at somebody else's expense."

Marketing staffs give hospitals a shot in arm

By M. Lynn Folse

A seven-member team of heart surgeons, anesthesiologists and nurses hovers over a patient on the operating table at Memorial Medical Center, Springfield, Ill. It's the grand opening of the hospital's new cardiology and cardiac surgery facility. A crowd of people shuffles by and local media roll their cameras, but the medical specialists never flinch.

They can't. They are lifeless mannequins borrowed from a local department store to simulate open heart surgery.

This is just one of the innovative techniques hospitals are using to market their capabilities and services to the public.

Four or five years ago, the traditional hospital public relations department was content to produce a house organ and a press release here and there. Today, in response to the rapidly changing healthcare industry, hospitals are adding marketing personnel, hiring outside communications specialists and launching aggressive, multimedia consumer ad campaigns.

M. Lynn Folse is a free lance writer.

Recent evidence suggests that this fledgling trend is beginning to gain momentum.

Today, more than three-quarters of metropolitan hospitals have a marketing department or person responsible for marketing, according to a recent survey by MarketPlus Measurement Systems, a management information service of Walker Research, Indianapolis.

Memorial Medical Center in Springfield, Ill., simulated an operation to promote its new cardiac surgery facility.

But this phenomenon is relatively new. The MarketPlus survey showed that only 20% of these departments had existed for three years or more, and that more than a third were created less than one year ago.

USA Today reports that 60% of hospitals have hired marketing specialists. One consultant estimates that hospitals are spending $1 billion a year promoting their services.

This figure barely scratches the surface of the $360 billion healthcare industry, third largest in the U.S. behind education and automobiles. In all likelihood, this marketing phenomenon will grow as hospitals face increasing competition, rising provider costs and fewer government reimbursements.

Perhaps the biggest contributing factor is the nation's overabundance of hospitals. This, along with growing numbers of healthcare alternatives, has driven hospital patient census down; many hospitals are operating at between 40% and 60% bed occupancy.

Of the about 7,000 U.S. hospitals—two-thirds of which are individually owned—as many as 500 may close their doors this year, some experts say. Hundreds more may be acquired by large hospital-management companies.

Faced with what may be a widespread hospital "recession," hospital administrators must break out of their traditional not-for-profit orientations and take a long hard look at the advantages of marketing.

"Hospitals are faced with the exact same marketing challenges as General Foods is—they just don't know it yet," says Susan Anthony, senior account supervisor for Silverman Mower, a full-service agency in Syracuse, N.Y. Ms. Anthony directs the marketing program for United Health Services, a not-for-profit operator of three area hospitals in Johnson City, N.Y.

Because everyone needs healthcare at some point, the industry always has been very consumer-oriented, says Ron Watt, a Cleveland-based healthcare specialist and president of Hesselbart & Mitten/Watt, a full-service marketing company. He says healthcare "is the highest form of consumerism—but no one realized it until all the competition arose."

"Hospitals are getting more into pricing strategies, recognizing that the cost of healthcare is one of the public's greatest concerns," says Jann Dorothy, founder of the McMillan Group, Kentfield, Cal., a marketing consultancy and full-service agency specializing in healthcare.

"We have 20 hospital clients, including both for-profit and not-for-profit ownership, and all are doing price-based campaigns." The campaigns range from price-oriented maternity campaigns to same-day surgery and urgent care campaigns.

"People are changing their attitudes," she says. "They are starting to look at medicine as a business."

Still, says Teri Louden, "I think there is a fine line in advertising by hospitals." Ms. Louden is president of Louden & Co., a Chicago healthcare consulting agency.

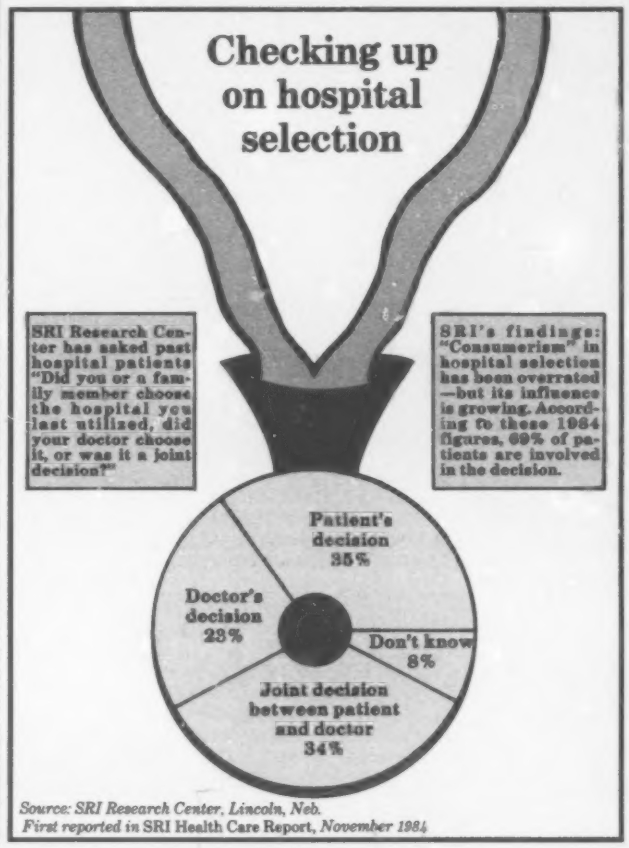
"[Hospital marketers] don't want to be seen as slick promotions people," she says, "but on the other hand, they need to get patients, to sell their services."

Karen Bradley, director-public relations/promotions at St. Catherine's Hospital, Kenosha, Wis., points to the difficulties of marketing voluntary hospital services.

"It's hard for people to accept marketing of an institution associated with life and death," she says. "The key to a successful ad campaign is to package the humanitarian aspects of a hospital without sounding brash or Madison Avenue."

Merle Allen, director-public relations for Memorial Medical Center, credits the success of his hospital's emergency-services advertising campaign to careful

(Continued on Page 16)


Checking up on hospital selection
SRI Research Center has asked past hospital patients "Did you or a family member choose the hospital you last utilized, did your doctor choose it, or was it a joint decision?"
SRI's findings: "Consumerism" in hospital selection has been overrated—but its influence is growing. According to these 1984 figures, 69% of patients are involved in the decision.
Patient's decision 35%
Doctor's decision 23%
Don't know 8%
Joint decision between patient and doctor 34%

Source: SRI Research Center, Lincoln, Neb.
First reported in SRI Health Care Report, *November 1984*

Competition gets creative juices flowing

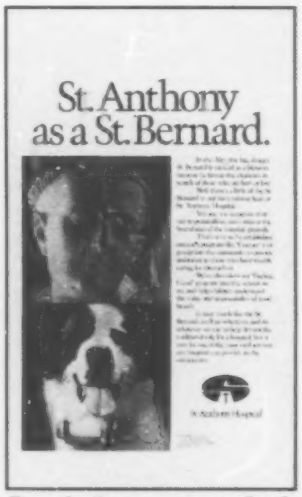
Some of today's best hospital advertising is being spurred by intense competition.

St. Anthony Hospital, a small Catholic facility in Louisville, was faced with severe competition from the four major area hospitals operated by Humana Corp., a large hospital chain with a large ad budget. Humana's headquarters are also in Louisville.

A series of award-winning ads created for St. Anthony by Doe-Anderson, a large independent ad agency in Kentucky, resulted in increased occupancy for the hospital.

St. Anthony was Doe-Anderson's first and only healthcare client. As a public service, the agency developed the campaign on a net fee basis.

"St. Anthony has to work a lot smarter and harder to go up against the chain," says Jay Giles, creative director for the ads. "Since we couldn't hope to compete with our moderate budget, we tried to outthink them."



Doe-Anderson created ads playing off St. Anthony Hospital's name.

Going for the most impact with the budget they did have, the agency created five page ads that Mr. Giles says bring out the hospital's personality.

"Hospitals all tell you how caring they are," he says. "We wanted to do something different."

Playing off the hospital's name, the ads featured slogans such as "The Patience of a Saint" and "Saint Anthony as a Saint Bernard."

One ad, depicting a nun holding a newborn infant, read, "She wants to have your baby." This ad won a fifth district golden Addy from the American Advertising Federation; the over-all campaign won a silver.

"MacNeal Reborn" had great results for MacNeal Memorial Hospital.

One of the nation's most competitive markets is Minneapolis-St. Paul, where physician surplus is a constant problem and hospitals are being taken over by healthcare corporations at twice the rate of the rest of the U.S.

One-third of the Twin Cities' hospitals have occupancy below 55%, estimates the Minnesota Medical Assn., and some 1,500 beds have closed in the past five years.

In this cutthroat environment, advertising has boomed. One Minnesota hospital, Methodist Hospital in St. Louis Park, took on 32 competitors at once, using cost comparisons as the basis for its promotional campaign.

A survey conducted by the community's hospital council determined that Methodist's

(Continued on Page 16)

Hospitals

(Continued from Page 14)
preparation of an entire marketing strategy that, before advertising started, gained the public trust.

"A not-for-profit hospital has to design its advertising campaign similar to a political campaign," Mr. Allen says. "You have to marshal all the internal audiences, community groups and special interest groups behind you, especially the most powerful group—the physicians."

Mr. Allen communicated the hospital's intentions to 1,200 key people to gain their support before launching the advertising component of the program.

"Commercials and ads were step 10 in an entire 16-phase marketing strategy," he says. Letters and brochures providing information about the center were sent not only to hospital staffers and officers, but also to medical students, area businesses, government offices, clubs and organizations, and police and fire departments, among others.

"Many hospitals are in dilemmas because they are communicating with only one segment of the population," Mr. Allen says. "An ad campaign will not only flop, but it may hurt the institution if the appropriate steps are not taken to prepare the community."

Ms. Louden agrees: "We recommend that a hospital develop an entire marketing strategy ... that they look at their current image and plan what they want their future image to be."

> **"A not-for-profit hospital has to design its ad campaign similar to a political campaign."**
>
> —*Merle Allen*
> *Memorial Medical Center*

She says a lot of advertising activity is coming from suburban and smaller community hospitals where competition is severe.

But perhaps some of the most carefully executed and effective image advertising is being done by religious institutions, hospitals that a few years ago would have considered advertising a sacrifice of long-held humanitarian principles.

One of the forerunners in hospital advertising was a religious facility, St. Francis Hospital of Evanston, Ill., well known regionally and nationally for its Galvin Heart Institute.

In 1981, wanting to develop a better perception of St. Francis as a major medical center, the hospital engaged the services of William A. Throckmorton Inc., a small Chicago full-service marketing agency currently with seven local hospital clients.

To emphasize the hospital's breadth and personality, Throckmorton developed a series of ads that told different patient success stories.

The ads were placed in regional editions of *Newsweek, Sports Illustrated, Time, and U.S. News & World Report* as well as *Chicago* magazine.

"The ads created a flurry of excitement in the media," says Diane Carlson, director-public relations at St. Francis. "Hospitals at the time were just not doing advertising because they thought it was undignified."

The hospital's pioneering campaign was featured on NBC-TV's "Today," Chicago's WBBM-TV and Cable News Network and in stories by the Associated Press.

Even small rural hospitals are diversifying, identifying an unusual consumer need and positioning themselves to fill that niche.

Hopedale Medical Complex, a small, not-for-profit hospital in a rural central Illinois community of less than 1,000, recently instituted an alcohol treatment center for the elderly and handicapped, two groups of people with special treatment needs that were not being met by other hospitals' general detoxification programs.

Today, Hopedale is attracting patients from across the country after marketing its service

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Competition

(Continued from Page 14)
costs were lower than the area's average in 67 diagnosis-related illnesses. The hospital spent $15,000, in two ad campaigns consisting of direct mail pieces and print ads, to capitalize on that information.

To survive in Chicago, the home of not only many major medical associations and healthcare marketing companies but a large number of prestigious urban hospitals, aggressive suburban facilities are stepping up marketing campaigns.

The management staff of MacNeal Memorial Hospital, in west suburban Berwyn, recently built a $62 million, 427-bed acute care facility to replace the old hospital, which was on the verge of bankruptcy. To upgrade its image, MacNeal implemented a strong and integrated marketing program.

Called "MacNeal Reborn," the award-winning marketing program, developed by Chicago's Ruder, Finn & Rotman public relations and Sieber & McIntyre ad agencies, showed outstanding results after one year, says John Doyle, MacNeal's director of marketing and public affairs.

The benchmark of the campaign, he says, was a comprehensive telephone survey of 19 communities to find out what consumers thought of MacNeal and what their healthcare needs were. This established a database from which to work and measure results.

"An image-building program

through local radio and tv spots and direct recruitment from hospitals nationwide.

Results from these and other successful hospital advertisers are encouraging more hospitals to overcome their long-held suspicions of advertising and fears of consumer resistance and jump on the bandwagon.

The ones who don't may be left behind. Evidence suggests that the public welcomes hospital advertising.

"Public acceptance of hospital advertising is quite high," Ms. Dorothy says. "We've seen no backlash to any of our advertising. People are glad to get the information."

Ms. Dorothy also says ownership does not figure into acceptance of the message.

William Throckmorton agrees. "Today people are less concerned with whether a hospital is not-for-profit, private or religious and more concerned with the quality of care and cost-effectiveness of a hospital.

"People have become real shoppers for healthcare."

For marketing professionals, this exposes an untapped—and potentially enormous—market. Most are just becoming aware of possibilities.

"We're much more sophisticated today than we were," Mr. Watt says. "We'd get creamed if we did today what we used to do. The profession has changed a lot since I started and so has the entire healthcare field.

"It's highly exciting."

Big centers follow in small footsteps

Many large, well-established, conservative institutions are sitting back and closely watching the flurry of marketing activity exhibited by their smaller, often more aggressive counterparts.

Barnes Hospital, St. Louis, a solid referral hospital and the main teaching facility for Washington University School of Medicine, doesn't need to worry much because it is one of the nation's 10 largest hospitals.

But even Barnes' patient occupancy is down 5% to 8% this year compared with 1983, says Daisy Shepard, director of public relations.

"In the St. Louis area, everyone is advertising like mad now," she says, producing a folder of other hospitals' ads she has clipped from area media. "Normandy Hospital is advertising its 'Rock-A-Bye Baby club'; St. Joseph's in Kirkwood is pitching its emergency care center with the slogan: 'Sometimes Degrees Do Make a Difference' and 'We'll Treat Your Arm and Leg Without Costing You an Arm and a Leg'...."

Ms. Shepard says the flurry of activity started about August. "It took until midyear before hospitals began to realize their census were down, and then it took them some time to develop ad campaigns, and now... it's everywhere," she says.

"I think all 50 hospitals in the St. Louis metro area will be advertising by the end of next year," she says. "Advertising is a stopgap for them right now, but next year it will be built into their budgets and it will be much more detailed."

Although Barnes has not done any advertising, Ms. Shepard is developing radio and print ads and engaging a media buyer for a breast cancer screening program soon to be marketed.

Rush-Presbyterian-St. Luke's Medical Center, a large referral hospital, maintains a similar position in Chicago.

"We don't have a marketing program like some of the smaller hospital communities who have been hit hard with the competition," says Carolyn Reed, news services manager for Rush.

Ms. Reed says Rush has been watching the activities of Chicago hospitals that are battling it out for patients. "Chicago has been in the vanguard as far as marketing is concerned," she says. —*M.L.F.*

is important to enhance institutional loyalty," Mr. Doyle says. "But it is also important to build volume and increase market share by getting people to access the hospital through its major 'distribution points.'"

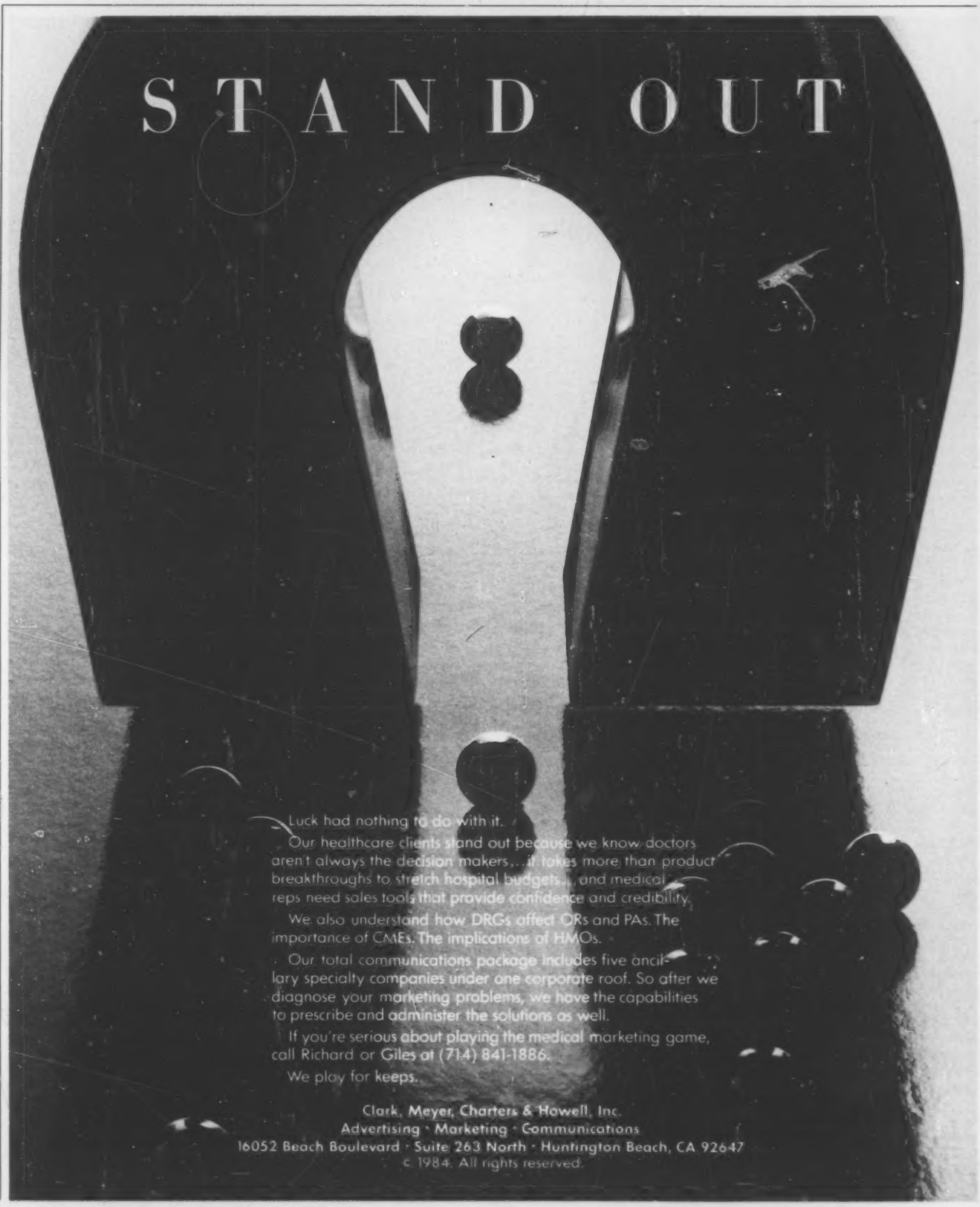
So MacNeal promoted those prime "distribution points": Its emergency room, urgent care services, physician contacts and self-referral programs such as alcohol and drug treatment.

MacNeal's combined program of image-building and special services marketing, supported by advertising, public relations and research, proved to be a sound formula for success. Followup research in six marketing areas showed that after the yearlong program, unaided recognition of MacNeal showed a 22% increase. Similarly, unaided preference showed a 17.3% gain from the precampaign figure.

"We went from being one of the pack among 10 hospitals to being second choice behind Loyola to overwhelmingly the consumer's first choice," Mr. Doyle says.

The "MacNeal Reborn" black-and-white ad won a Chicago golden Addy award, and the public relations program won a Silver Quill from the International Assn. of Business Communicators.

But the best part, Mr. Doyle says, is that after a steady 19% loss of business from 1975 to 1983, MacNeal has turned the corner. For the first time in nine years, the hospital's 1984 census showed a 10% year-to-year increase. —*M.L.F.*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Luck had nothing to do with it.
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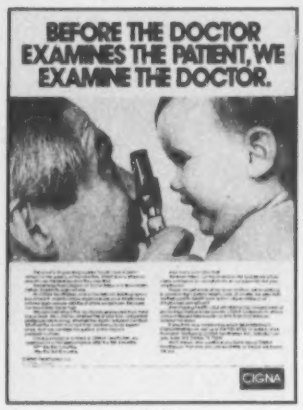
HMOs keep profession on its toes

By Elizabeth Chappell White

One of modern healthcare's greatest marketing forces was born in the 1930s, at the site of a Mojave Desert construction project.

Watching some 5,000 workers build an aqueduct designed to route water from the Colorado River to Los Angeles, Sydney Garfield saw a great opportunity. The doctor set up a practice offering prepaid medical services to each of those workers.



As competition among HMOs increases, advertising will play a more important role.

By chance, one of the contractors on the project took an interest in the medical project. His name was Henry J. Kaiser, and the rest is history.

Today, more than a half-century later, the Kaiser-Permanente Medical Care Program is the largest health maintenance organization in the nation with 4.6 million members coast to coast.

The most recent figures from the Group Health Assn. of America show 320 HMOs nationally. Statistics provided by Interstudy, a healthcare policy research company, show 15 million people enrolled in HMOs.

By 1993, HMO enrollment in the U.S. is projected to climb to 50 million.

"The competition among HMOs is getting very stiff," says James Dougherty, GHAA executive director. Headquartered in Washington, the GHAA recently celebrated its 25th anniversary as the national HMO trade organization; Mr. Dougherty has served as GHAA lobbyist for 14 of those years.

"From my experience," he says, "I see unlimited growth opportunities for the next decade —and a lot of HMOs beginning to develop advertising campaigns."

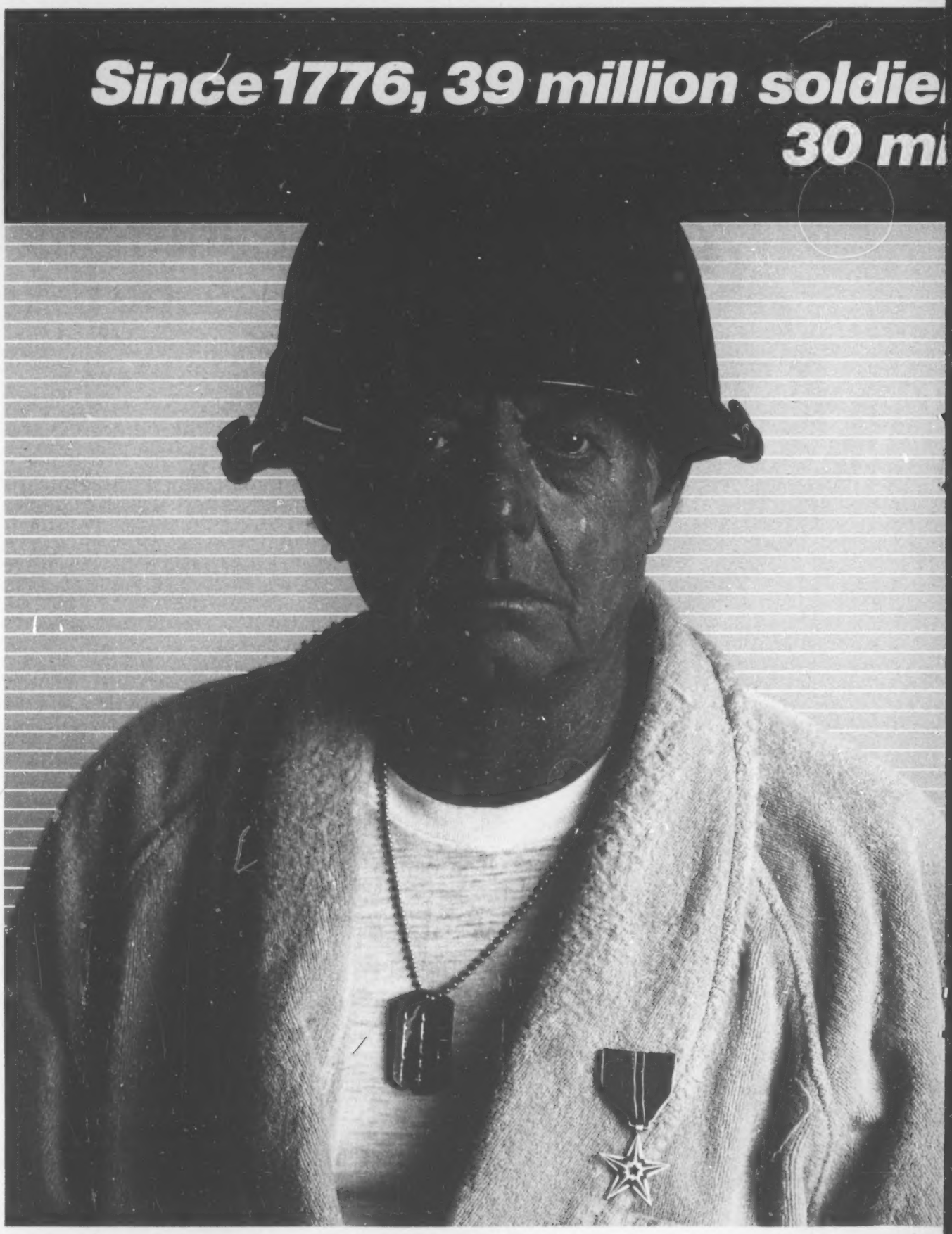
Perhaps the Kaiser Foundation's situation is the best reflection of the booming HMO marketplace. Because of its success, for years Kaiser could afford to enforce a strict policy against all advertising. Their doctors found it distasteful and unprofessional, and besides, there was virtually no competition.

In recent years, however, Kaiser has loosened its rules. The foundation has permitted its individual HMOs to advertise and is considering hiring an agency to work with top headquarters executives.

Kaiser's policy change is symbolic of changes in the HMO market—changes especially dramatic when one considers that it was not so long ago that HMOs were illegal in some states and were accused of being part of a communist plot to undermine the free practice of medicine.

It took an act of Congress to make HMOs a medical power to be reckoned with.

With the passage of the HMO Act of 1973, the federal government became the strongest supporter of HMOs. Signed into law by President Richard Nixon, the



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act struck down lingering state restrictions on HMOs and required employers to offer their workers the HMO medical insurance option. The law also provided startup funds for new HMOs.

It was President Jimmy Carter, however, whose unprecedented commitment to HMOs resulted in a federally funded HMO marketing program within the Department of Health and Human Services.

"We developed a promotional campaign to help broaden the public's awareness of HMOs," says Janet Sadler, market development specialist with the national HMO office. In its prime, the marketing program employed 22 government staffers churning out "generic ads" that independent HMOs tagged with their individual names.

"We really feel we broke the ice about what was acceptable for HMO advertising."
—Janet Sadler

Ms. Sadler thinks the government took a bold step when it decided to give HMOs a promotional boost. "We really feel we broke the ice about what was acceptable for HMO advertising," she says. "In the past, it was viewed as garish to get up and tout yourself as a healthcare delivery system, but we did it in good taste."

The campaign used radio and tv spots to increase HMO enrollment in specific communities; each HMO paid for media placement.

When President Reagan took office, Ms. Sadler's group was forced to shift gears. "We closed out government support for HMO development and began targeting the private business community," she says. New efforts portrayed HMOs as an attractive investment opportunity.

It worked. 'We created a demand and investors picked up the ball right away," Ms. Sadler says.

The response from private investors has been so enthusiastic that the current administration no longer sees a need for Ms. Sadler's marketing department. Only two professional staff members remain. "The organization," she says, "is being disbanded."

But the government's involvement did spur dramatic changes in the HMO marketplace. Barbara Santry, an investment analyst with Alex. Brown & Sons, Baltimore, recommends HMOs as one of the best investment opportunities available in the healthcare industry. "Stocks are up 30% per share yearly—even 50% among the leaders," she says.

"I see unlimited growth opportunities . . . and a lot of HMOs beginning to develop ad campaigns."
—James Dougherty Group Health Assn. of America

Big business is investing in HMOs in other ways, too. As healthcare costs continue to rise, companies are encouraging HMO enrollment in an effort to cut employe healthcare benefit costs. Chrysler Corp., Detroit, which claims healthcare benefits add about $600 to the price of a new car, reportedly offers its employes U.S. Savings Bonds if they can persuade a fellow employe to enroll in an HMO.

HMOs' share of the health-

(Continued on Page 22)

rs have served their country.
illion of them are alive today.

28.5 Million veterans are currently eligible for free VA medical care.

3.5 Million veterans are over the age of 65.

12.6 Million World War II veterans will be 60 or older by 1985—and statistically will require five times more medical care than those under 60.
For the great majority of these veterans, the VA will be the health care provider.

The VA is DRG exempt and can expect to assume the responsibility for an increasing patient population from cost-conscious private sector medical facilities and Medicare referrals.

The VA is currently treating more than 1.3 million veterans on an inpatient basis while annually providing for 17.8 million outpatient medical visits.

More than 39 million prescriptions for ambulatory patients and more than 7 million intravenous and parenteral nutrition solutions were dispensed by VA pharmacies in 1982.
The $500 million spent by the VA on pharmaceutical purchases in fiscal year 1984 is projected to double by 1987.

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For media information, contact Michael Aster, Steve Goldstein or Jim Breuning at (201) 549-3000, 195 Main Street, Metuchen, NJ 08840.

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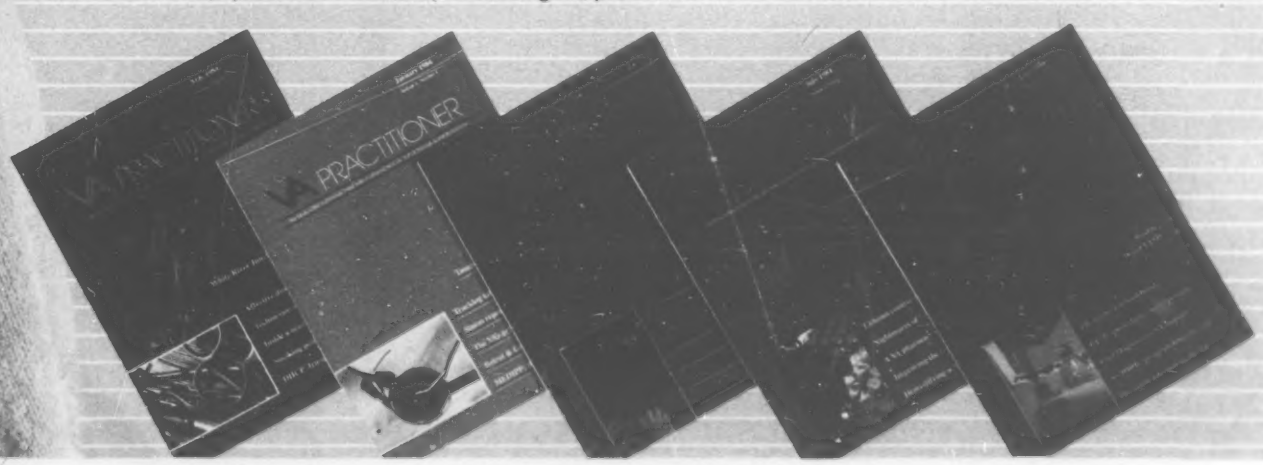

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HMOs

(Continued from Page 21)

care market, currently estimated at 6% by Interstudy, will expand even further when recent measures to make HMO enrollment available to Medicare beneficiaries take full effect. The new Medicare tie-in is spurring a great deal of ad activity. The Health Care Finance Administration is sending notices to let people eligible for Medicare know which local HMOs have contracted with the federal government to provide Medicare benefits.

According to Wayne Fowler, who heads the HCFA's medical practice department, the American Medical Assn. complained the notices were an unfair government promotion of its members' competition.

"Our notices are not promotional, they're informational," Mr. Fowler says. "But I imagine [the AMA] would prefer that we did nothing."

Reserving the right to set standards for how other advertisers handle the Medicare-HMO programs, the HCFA has written into its regulations a rule requiring that all ads be HCFA-approved.

> **"Advertising will become critical because of the increasing competition. It's going to be like McDonald's and Burger King."**
>
> *—Denyse Newbery Fallon HMO*

The Federal Trade Commission has complained that the HCFA prescreening process puts HMOs at a competitive disadvantage against other healthcare providers operating without such restrictions. But, on the other hand, the AMA has recommended even stricter, more explicit guidelines for all HMO advertising.

Mr. Dougherty says the GHAA is against government censorship of HMO ads, but some "initial monitoring" of advertising aimed at Medicare beneficiaries may be necessary.

One HMO working successfully within the HCFA guidelines is the Fallon Community Health Plan, Worcester, Mass., a pilot project for the new Medicare contracting. "We began advertising in 1980 because it was the only way to reach the mass market of Medicare recipients in a brief period of time," says Denyse Newbery, director-marketing and community relations at Fallon.

"We didn't get terribly flamboyant with the ads because of the HCFA review process, but we were able to reach a whole new market that has never been tapped before."

Ms. Newbery thinks the HCFA prescreening issue will fade into the background as the competition among HMOs heats up and advertising becomes more aggressive.

"Advertising will become critical because of the increasing competition," she says. "It's going to be like McDonald's and Burger King.

"For-profit HMOs owned by companies with the big bucks don't skimp on their advertising, so we'll have to match them."

Barry Averhill, executive director of the Michael Reese Health Plan in Chicago, says he feels a similar pressure. "As the numbers [of HMOs] increase, there will be a name awareness problem," he says. "We will have to compete with the for-profit HMOs that are buying big ads on the sides of downtown buildings and even commercials during the Olympics."

Although most HMO companies are just beginning to advertise seriously, some already have set aside substantial marketing budgets.

The big money competitors worrying smaller and not-for-profit HMOs are those such as Blue Cross-Blue Shield, Chicago—relatively new to the HMO business but with plenty of resources at its disposal—which hired Marsteller to launch its major new fall ad campaign, and Los Angeles-based Maxicare, whose current national campaign is being handled by Foote, Cone & Belding.

Some HMOs seek the personal touch—and lower fees—of the smaller ad agency. On Pennsylvania Ave. in Washington is the Group Health Assn., a not-for-profit HMO with some 127,000 members of which almost half are federal employes.

Jeremiah Cole, GHA's director-marketing, decided to hire a new agency soon after assuming his position eight months ago. "We wanted a smaller agency where we would be a significant client and where top principals would come to work with us."

Mr. Cole says he was not interested in specific healthcare ad experience as he was in "good, solid broad-based experience." The HMO hired Demaine Vickers & Co., a small Alexandria, Va., agency.

As both employers and employes continue their search for cost-saving medical alternatives, HMOs stand to benefit immensely. And as HMO companies jostle for position in the increasingly competitive marketplace—at least in part with advertising and promotional campaigns—agencies serving them face a bright future as well.

HMOs on the rise

Top 10 HMO plans†

Plan	
1. Kaiser Health Plan of Northern California	1,829,273
2. Kaiser Health Plan of Southern California	1,674,421
3. New York Health Insurance Plan	867,500
4. CIGNA Health Plan of California	348,481
5. Greater Health Co-op of Puget Sound	307,689
6. Kaiser Health Plan of Oregon	259,348
7. Group Health Plan of Minnesota	199,683
8. Health Net	186,619
9. CIGNA Health Plan of Arizona	171,129
10. HMO of Pennsylvania	159,500

Source: Interstudy

Growth of HMO chains

Rank by enrollment	Name	Enrollment* 1983	1982
1.	Kaiser Foundation Health Plan, Oakland, Cal.	4,400.0	4,200.0
2.	Blue Cross and Blue Shield Assn.,** Chicago	1,520.4	1,200.0
3.	CIGNA Healthplan, Dallas	680.0	620.0
4.	HealthAmerica Corp., Nashville, Tenn.	420.0	305.0
5.	Prudential Health Care Plan (PruCare), Roseland, N.J.	337.0	226.1
6.	Maxicare Health Plans, Los Angeles	288.0	250.0
7.	Charter Med, Minneapolis	245.0	300.0
8.	United States Health Care Systems, Willow Grove, Pa.	222.0	126.0
9.	FHP Inc., Fountain Valley, Cal.	152.0	140.5
10.	Med Centers Health Plan, Minneapolis	150.8	105.6

*Enrollment figures in thousands
**These HMOs are operated by local Blues plans, not by the association

†The HMO concept is growing so rapidly that these July 1983 enrollment figures have changed. The order of the top plans, however, is essentially unchanged.

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